Strategic Plan

May 2005

City Auditor's Office

City of Kansas City, Missouri

May 17, 2005

Honorable Mayor and Members of the City Council:

The purpose of our strategic plan is to clarify our mission, provide a framework for selecting audits and allocating resources, and to set office goals and annual performance measures that support our mission. We are making this plan available to the City Council and public to promote transparency and accountability in government. As public servants, we're responsible for explaining what we are doing and why.

Our mission is to provide the Council with independent, objective, and useful information regarding the work of city government so the Council may better exercise the power vested in it to improve the quality of life of citizens of Kansas City. We lay out strategies to ensure that our work remains independent, objective, and useful. Our goal is to conduct audits that answer questions that matter to people outside of City Hall; that enable the city to reduce, avoid, or recover costs; and to alert city officials to potential problems that could undermine the public's trust in city government.

We prepared our strategic plan following a daylong meeting to create a narrative story of the office. Appendix A shows the meeting agenda. We talked with prior and current employees and city officials. We appreciate their assistance in shaping the City Auditor's Office into what it is today and what we hope it will be like in the future. We also appreciate the ongoing support of city staff and officials as we conduct our work.

Mark Funkhouser
City Auditor

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Mission

Serving the Council and the Citizens of Kansas City

The charter vests the powers of the city in the City Council and requires the City Auditor to investigate the work of all departments, boards, commissions, and other offices of the city, and to inform the Mayor and Council regarding the work performed, the results achieved, and the financial affairs of the city. State law authorizes the City Auditor to audit the Police Department.

Our Mission

Our mission is to provide the City Council with independent, objective, and useful information regarding the work of city government so the Council may better exercise the power vested in it to improve the quality of life of citizens of Kansas City.

To maintain independence, we will:

- follow government auditing standards
- act with integrity

To be objective, we will:

- carefully plan work and stick to the plan
- rely on appropriate levels of evidence
- apply methodological safeguards
- keep a sense of proportion
- foster a working environment that supports diverse and dissenting points of view

To ensure information is useful, we will:

- systematically scan for vulnerabilities
- provide a strategic mix of audits
- be responsive to City Council requests
- focus on important questions not just traditionally auditable areas
- pay attention to how we're using resources and the trade-offs we're making
- communicate results clearly and through multiple channels

Our Core Values

Accountability: We believe that government officials and agencies – including our office – are accountable to citizens for their performance, use of resources, and stewardship of assets.

Transparency: We believe that accountability cannot be effective without free and open access to information.

Integrity: We conduct our work and report results fairly, honestly, and independently.

Professionalism: We conduct our work objectively, base conclusions on sound evidence, and treat staff and officials of audited agencies with respect. We publicly acknowledge and correct our mistakes.

Credibility: We recognize that credibility is our strongest asset. Adhering to our values of accountability, transparency, integrity and professionalism protects our credibility.

Asking Questions That Matter

Our goal is to conduct audits that answer questions that matter to people outside of City Hall and that enable the city to reduce, avoid, or recover costs; and to alert city officials to potential problems that could undermine the public's trust in city government.

Framework for Selecting Audit Topics

Drawing from our prior work, particularly our 2002 *Financial Condition Forum*, we identified six areas in which to focus our audit work. These areas are important because they encompass how the government uses its resources and authority.

Infrastructure: The city builds and maintains infrastructure – roads, bridges, sewer and water mains, catch basins, parks, buildings, and airports. Building and maintaining infrastructure is expensive. Cities often defer maintenance to save money immediately, but increase long-term costs and reduce quality. The condition of the city's infrastructure affects the city's economic competitiveness and quality of life of city residents.

Service Levels: The city provides services to people who live, work in, or visit the city – protecting people and property, picking up trash, plowing snow, fixing potholes, immunizing children, inspecting restaurants, and so on. The level and perceived cost and quality of services affects people's choices about whether to live, shop, or locate businesses here.

Human Resources: A well-managed work force improves the city's ability to provide good services. Managing human resources well means ensuring that staff has the appropriate knowledge and skills to do the work, and that compensation and management practices are fair and provide appropriate incentives.

Economic Development: The city directly and indirectly influences the environment for economic activities. The city regulates development, provides services, imposes taxes, provides incentives for certain developments and types of development, and regulates some businesses. The city's role is complicated – many different city actions cutting across departments and functional units work together to create the environment.

Financial Stability: The city has faced a structural imbalance for years in which current and expected expenditures exceed current and expected revenues. The city has relied on one-time revenues, tax increases, and deferred maintenance to balance its budgets. Financial stability is required for city leaders to do other things well.

Financial Stewardship: The city government is accountable to its citizens for ethical and honest use of public funds and safeguarding public assets.

We will select at least one audit per cycle dealing with financial stewardship. The rest of the audits we select will cover at least four of the other areas of emphasis (infrastructure, service levels, human resources, economic development, and financial stability). We will allocate at least half of our self-initiated audit hours per cycle to these areas and at least 25 percent to financial stewardship issues.

Because weaknesses in governance or management cause financial and performance problems, we will consider risks based on the control environment (how managers organize, direct, monitor, and report on a program) when we select audits. We will look for ways to save, recover, or avoid costs but will recognize that efficiency is a means to an end not an end in itself. We will continue to serve the public interest by aiding

the Council in its oversight role and will work with management to develop sound recommendations.

Factors to Consider in Audit Selection

	Control Environment		Other Risk Factors		
	Governance/ Oversight	Process/ Controls	Size	Complexity	Stability
Infrastructure					
Service Levels					
Human Resources					
Economic Development					
Financial Stability					
Financial Stewardship					

Using Resources Wisely

We recognize that we need to conduct audits more quickly in order to cover these topics. In order to do this, we will:

- Focus planning
    - Set clear objectives. What is the question we are trying to answer?
    - Write clear scope statements. Why does the question matter? How will we answer it?

- Set and monitor time budgets and calendars
    - Time reporting

- Reassess our own internal controls.
    - When do they occur in the audit process?
    - Are we making decisions at the appropriate level?
    - Where can we move from sequential to concurrent processes?
    - What are the constraints in our process?
    - Can we control delays?

- Reassess how we set priorities and allocate resources.
    - How much downtime do we experience?
    - Focus on the overall plan rather than project-by-project.
    - How much time should we devote to annual reports (budget review, city services, governance, outside agencies)?

Responding to the City Council

We recognize that we need to maintain enough flexibility when allocating resources to respond to changes in the environment or City Council requests or concerns. While we are accountable to the City Council for our work, Government Auditing Standards require us to exercise independent judgment in how we conduct and report our work. Because we serve the Council as a body, we ask that council members present requests for audits to the Budget and Audit Committee or by introducing resolutions for Council consideration to direct us to conduct specific audits. The Budget and Audit Committee is the standing committee that is responsible for hearing most audits and overseeing the work of the City Auditor.

Communicating Results

We recognize that we need to communicate the results of our work clearly and to a wide audience for it to be useful. We will reassess our report format and presentation strategies to improve clarity. We will also communicate results through multiple channels in order to reach more people.

Working Together as a Team

We recognize that to meet our goals and fulfill our mission we need to foster a working environment that supports open and frequent communication, diverse and dissenting points of view, continuous learning, and organizational development.

Supporting Diverse Points of View

Diverse opinions and discussion lead to better decisions. Our goal is not consensus, but to make good collective decisions about the audit work. We recognize there are inherent tensions in our work: between timeliness and thoroughness; persuasiveness and objectivity; and clarity and precision. Our different approaches in managing these tensions can generate conflict, but our work needs all of these traits to be effective. Listening to others' points of view and considering different approaches makes our work stronger. Each of us must be willing to share our points of view and be open to others. We will:

- Separate discussion of facts, conclusions, interpretation, and tone:
  - What do we know? How do we know that?
  - Begin with the evidence and work toward a conclusion.

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- o Explicitly consider alternative explanations.
- o Recognize when we need more information.
- o Reassess conclusions when we get new information.
- o Don't let assumptions about the probable outcome of our report shape our recommendations.

- Ensure that we have a common understanding of the facts and supporting evidence before we discuss broader conclusions, message, and tone.
  - o What does it mean? How should we communicate the meaning?

- Use 5-point scale to aggregate opinions, communicate strength of agreement or disagreement, and ensure everyone participates. (See Appendix B for 5-point scale.)

- Be prepared to articulate the reasons for our agreement or disagreement and to examine our assumptions. Strength of agreement or disagreement is a starting point for discussion, not the final argument.

- Recognize that different types of problems are best solved with different types of decision-making techniques. Therefore we need tools to:
  - o encourage free and open exchange of information;
  - o aggregate individual ideas;
  - o ensure we make decisions at the right level and distribute decision making authority when appropriate;
  - o encourage flow of information to decision makers; and
  - o avoid judging the merit of an idea on the status of the person advocating the idea.

Fostering a Learning Environment

We need skilled, adaptive staff in order to seek solutions and provide fresh ideas while producing quicker, strategic audits. We will continue to improve our knowledge and abilities through good hiring practices, training, work experiences, and other opportunities for professional development by:

- hiring people with diverse backgrounds and critical thinking skills;
- providing in-service training sessions for all staff members;
- providing outside training to support diverse interests; and
- encouraging staff involvement in professional associations.

We will also ask staff to take turns providing 7-minute training sessions at staff meetings to share new or specialized information, reinforce different aspects of our processes, or stimulate new ways of thinking.

Measuring Team Performance

We will measure and evaluate team performance in order to grow and develop as an organization. While we recognize the important contributions of individual team members, we must work together and be accountable for our performance as teams. We will:

- set project benchmarks;
- compare actual progress to benchmarks; and
- establish 360-degree reviews at the end of each project.

Taking Advantage of Technology

We will take advantage of technology to improve our efficiency. We will set minimum expectations for staff proficiency in using Excel and Access. We will pay attention to data systems when planning audits.

Building a Common Language

We will ensure that we have a shared understanding of the different parts of our process.

Planning work plan: Address specific planning requirements listed in Government Auditing Standards to develop a broad understanding of the program, including legal and regulatory authority and internal controls; identify potential audit scope and objectives; identify potential methods, criteria, and data sources; and make preliminary assessments of internal control weaknesses and data reliability. Planning work steps should be tailored to the reason we selected the audit topic and take into account what we know about the area under audit.

Planning summary: Summarize the results of planning work to provide a basis for setting the scope and objectives.

Planning meeting: Decide on scope, objectives, and audit approach, and ensure that the City Auditor and everyone on the team understands what we are doing, why, and the amount of resources we plan to devote to the audit.

Scope statement: Communicate the reason for audit, scope of audit, audit methods, and expected release date to a broad audience.

Work plan: Steps to accomplish the audit objectives. The work plan is a method for the City Auditor, audit manager and other team members to communicate. The plan should ensure the team collects sufficient, competent, relevant evidence to support findings, assess data reliability when necessary, and address all relevant finding elements. The plan should avoid unnecessary steps and be consistent with the amount of resources planned for the audit.

Message draft: Summarize results of fieldwork to provide a basis for deciding on conclusions, findings, and report structure. The message draft should summarize the audit team's conclusions and provide enough detail about what the team did so that the extended review team (ERT) can assess whether the evidence supports the team's conclusions.

Message meeting: Decide on the major findings, conclusions, recommendations, and how to structure the report. The primary focus is on what we know (conclusions and findings) and how we know it (evidence). Once we agree on the findings, we discuss how best to communicate the results.

Outline: Provide a framework for the report with headings, summary paragraphs, main ideas and/or key data to support points. The outline should be consistent with the decisions made in the message meeting. The outline provides the City Auditor opportunity to give feedback early in the writing process and ensures that the team understands and agrees on the message.

ERT draft: First draft of the report. The draft should follow the outline, provide convincing support for findings, be consistent with office style, and not contain unnecessary detail. Our goal is to be accurate but also to be understood – too much detail or precision can obscure our meaning.

Draft ERT meeting: Decide whether the draft effectively conveys the findings, conclusions, and recommendations and tone is appropriate. The primary focus is on how we communicate the findings, not minor text editing or formatting.

Technical review: Referencing the draft report to supporting work and checking references to ensure that the report accurately and objectively conveys the results of the work; and that findings and conclusions are based on sufficient, competent, and relevant evidence. The person referencing is primarily responsible for ensuring that the workpapers

support the draft report. The person checking references avoids editorial comments.

Supervision: Instruct staff members, monitor the project, keep the City Auditor informed of significant progress/problems, and provide effective on-the-job training.

> **Workpaper review** – Ensure completed work is accurate, complete, and within the audit scope; the purpose is clear; and the conclusion addresses the purpose and is consistent with the evidence presented. Review should be timely and tailored to the experience of the auditor and needs of the project.

> **Project supervision** – Monitor project status and time budget, instruct and assist team members, and provide on-the-job training.

> **City Auditor review** – Provide feedback to team at "milestone points."

Report production: Ensure the report is properly formatted, final check for clarity and typos, and prepare for printing.

Close project checklist: The team references the final report and completes a checklist to document that they followed policies and procedures in the project.

Internal quality control review: The administrative auditor reviews the project checklist and selected workpapers to ensure that the team adequately followed policies and procedures and issues a memo to the City Auditor.

Quality assurance: All of the above are part of our quality assurance process. We've built in some redundancy to help guard against mistakes. However, sometimes we will make mistakes. When we do, we expect that everyone will pitch in to help correct them.

Measuring and Reporting Our Performance

We are setting performance measures to help support our mission and monitor our progress in meeting goals.

- Percent of planned audits completed in an audit cycle

- Percent of audit recommendations that would improve service delivery, if implemented

- Percent of audit recommendations that would reduce, recover, or avoid costs, if implemented

- Percent of audit recommendations with which management agrees

- Estimated financial benefit:

  - Recurring savings, cost recovery or avoidance: net present value of the amount estimated in the report over 5 years
  - One-time savings, cost recovery or avoidance: amount estimated in the report

- Cost per audit hour:

  - CAO operating budget/hours charged to audits

- Average hours per audit

We'll report the measures at the close of each fiscal year.

Appendix A

Method for Developing Our Strategic Plan

Expanded Agenda
<center>

March 22, 2004
9am – 4pm
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9:00 –9:05am   **Introduction**

<u>We want a narration of our organization's past, present and future.</u>

A story versus a statement: This method is different than creating and agreeing on a single vision statement. It is difficult for a single statement to persuasively communicate a vision. Emphasis gets placed on the writing rather than mental images of growth, development, and advancement opportunities.

Creating our story will help us effectively communicate what our office does and will do in the future. Using this story method, we can enrich our story with passion, confidence, and commitment. A story, unlike a statement, can evolve over time in response to unforeseen variables. The story is not etched in stone. It is a continuous, collaborative process.

We want to create a reality-based story, consistent with our past, present, and future. This can be done in the context of the organization's life cycle. We want it to be consistent with the variables in our environment – cultural, economic, geographic, and political forces.

9:05 – 10:00am   **Get people to start talking – okay to talk about positive and negative times**

- What was your first day like?
- What was your interview like?
- Describe how the office looked
- Stories about co-workers
- Stories about city council,
- Describe something memorable that happened during an audit,
- Describe characters who have worked in the office
- What has been something difficult to adjust to about the office?

Joan and Sue will write key thoughts on the board to help remember the stories

10:00 – 10:10am   **Break**

10:10 – 11:00am   **Think of the things the office is doing now that are strengths, and list them.**
                              (Have people think in terms of Work, Capacity, and Culture framework – have the framework written out on the board; tell them that this probably isn't a comprehensive list)

Sue and Joan will take notes on the dry erase boards

- What have we accomplished?
- What are you most proud of?
- Why do you continue to work here?

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- What areas have we made an impact on?

11:00 – 12:00pm   **Think back 6 to 10 years and identify who in the office did what during those years to make it possible for the office to develop those strengths**

                        Key Players   **Actions taken**

Sue and Joan will take notes on the boards

12:00 – 1:00pm   **Lunch**

                        At lunch have someone assigned to Type out the "This is the story so far"

1:00 – 1:10pm   **Distribute and assimilate "This is the story so far"**

                        Ask if people agree with the story so far, what changes do we need to make?

1:10 – 2:00pm   **Divide into 3 groups. Think forward 6 to 10 years make a list of what you want the office to be like**

                        Have sheet ready for each group with the framework on it.
                        Give them these questions to help stir their thoughts.

- What should our work emphasize?
- What do you want to stay the same?
- What do you want to change?
- What do you want the environment/office culture to be like?
- What do you want the impact of our work to be? How is that different from now?
- What kind of relationships do we want to have with the mayor, council, auditees?
- What kind of rituals do you want us to have?

2:00 –2:30pm   **Get together as large group. Have groups put there lists up. Make an overall list of what we want the office to be like. What things can we agree on?**

2:30 – 2:40pm   Break

2:40 – 3:00pm   **Identify the strengths the office will possess from the lists and identify any other strengths we see.**

Sue and Joan will take notes on the boards.

3:00 – 3:20pm   **Think from 6 to 10 years in the future back to the present. Identify who will do what for the strength to develop**

          Key Players   **Actions taken**

Sue and Joan will take notes on the boards.

3:20 – 3:40   **Break –** someone is writing up the story

3:40 – 4:00pm   **Come back as a group and go over the story. Does the group agree with the story?**

Think forward 6 to 10 years and make a list of what you want the office to be like – what strengths you would like us to have.

  Questions you can consider about the future to help stimulate ideas
  * What should our work emphasize?
  * What do you want to stay the same?
  * What do you want to change?
  * What do you want the environment/office culture to be like?
  * What do you want the impact of our work to be? How is that different from now?
  * What kind of relationships do we want to have with the mayor, council, auditees?
  * What kind of rituals do you want us to have.

A Framework

In order to draw a holistic picture or tell a complete story, we could think in terms of individual, our office, city government, and the whole community from the aspects of our work, our capacity, as well as the culture.

	Individual	Office	City Government	Community
Work				
Capacity				
Culture				

Work:
Types of work products
Types/forms of report
Topics
Relevance
Sensitivity
Size
Influence/impact of work products
Style of work (team, individual)
Pace of work

Productivity
Methods of research we use

Capacity:
Knowledge/expertise
Skills
Technology
Educational background
Unique life experiences

Culture:
Relationship
Work environment
Rituals
Communication
Values we believe

Appendix B

Auditing Staff's Five-Point Scale

Auditors' 5-Point Scale

5   Absolutely right. That's exactly what I think.

4   I agree with that. I'm very comfortable with it.

3   It's okay. Not great, but not really what I would say. I can live with that.

2   I disagree with that. I don't think it's a good idea.

1   That's completely wrong. There is no way in the world I can live with that.